NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018

PART A – NOTES TO THE INTERIM FINANCIAL REPORT

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

This condensed consolidated interim financial statements (“Condensed Report”) have been prepared in accordance with MFRS 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The financial statements of Grand-Flo Berhad (“Grand-Flo”) for the three months period ended 31 March 2018 was the first set of interim financial statements prepared in accordance with the MFRS Framework, hence MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards has been applied. The MFRS Framework is effective for the Group from 1 January 2018 and the date of transition to the MFRS Framework for the purpose of preparation of the MFRS compliant interim financial report is 1 January 2017.

As provided in MFRS 1, first-time adopter of MFRS Framework can elect optional exemptions from full retrospective application of MFRSs. The Group has elected not to apply MFRS 3 Business Combinations and MFRS 10 Consolidated Financial Statements retrospectively, that is not to restate any of its business combinations that occurred before the date of transition to MFRSs.

The interim financial statements should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 December 2017. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2017 except for the adoption of the following which are applicable to its financial statements and are relevant to its operations:

Descriptions	**Effective for annual periods beginning on or after**
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

The adoption of the above standards do not have significant financial impact to the Groupôs consolidated financial statements for the current quarter other than the following:

(a) MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group adopted MFRS 9 and will not restate comparative information. Overall, the Group expects no significant impact on its statements of financial position and equity**.**

(i) <u>Classification and measurement of financial assets</u>

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (ñAFSò) with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and, therefore, believes the application of MFRS 9 would not have a significant impact.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under MFRS 9. Therefore, reclassification for these instruments is not required.

(ii) <u>Impairment</u>

MFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group applied the simplified approach and record lifetime expected losses on all trade receivables. The Group has determined there is no significant impact on its financial statements.

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

(a) MFRS 9 Financial Instruments (cont'd)

(iii) Other adjustments

In addition to the adjustments described above, on adoption of MFRS 9, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, investments in the associate and joint venture, are adjusted as necessary. The exchange differences on translation of foreign operations are adjusted.

(b) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group adopted MFRS 15 using the modified retrospective method and as such the cumulative impact arising from the adoption was recognised in retained earnings as at 1 January 2018 and comparative figures were not restated. The MFRS 15 adjustments are summarized as follows:

Statement of financial position

1.1.2018	As previously reported RM'000	Retrospective adjustment of MFRS 15 RM'000	After MFRS 15 adjustment RM'000
Liabilities			
Contract liabilities	-	173	173
Impact to liabilities	-	173	173
Equity			
Retained earnings	55,633	(173)	55,460

The Group is in the business of provision of information technology solutions, investment holding and property development. The equipment and services are sold both on their own in separate identified contracts with customers and non-contract customers whereas revenue for property development is recognised on the development units sold, for which sales agreements have been concluded, using percentage of completion of a physical proportion of the development work.

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

(b) MFRS 15 Revenue from Contracts with Customers (cont'd)

(i) Sale of goods

MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint will result in more revenue being deferred than under current MFRS. The Group has determined that there is no significant impact on its financial statements.

The Group provides warranties for information technology products for general repairs and does not provide extended warranties or maintenance services in its contract with customers. As such, the Group expects that such warranties will be assurance-type warranties which will continue to be accounted for under MFRS 137 Provisions, Contingent Liabilities and Contingent Assets consistent with its current practice.

(ii) Rendering of services

The Group involves in repair and services within the information technology division. These services are sold either on their own in contracts with the customers or non-contract customer with the provision of information technology solutions to a customer. The Group recognises service revenue when it is probable that the economic benefits will flow to the seller and the amount of revenue and cost incurred in respect of transaction can be measured reliably.

The Group did not identify any material impact to revenue, cost of sales and profit for the current financial period upon the adoption of MFRS 15.

(iii) Property development

The revenue arising from property development is assessed as fulfilled the criteria of sales over the time under the MFRS 15. The revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measured of contract progress or contract price is revised and the cumulative percentage of completion is reassessed at each reporting date.

Under MFRS 15, claims and variations will be included in the contract accounting when they are approved. The Group has performed an assessment on contracts of property development and does not expect that there will be significant impact on its financial statements.

A1. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONT'D)

(b) MFRS 15 Revenue from Contracts with Customers (cont'd)

(iv) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in MFRS 15 are new.

(v) Other adjustments

In addition to the major adjustments described above, on adoption of MFRS 15, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them as well as profit or loss after tax for the year from discontinued operations will be affected and adjusted as necessary. Furthermore, exchange differences on translation of foreign operations would also be adjusted.

The recognition and measurement requirements in MFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

A2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements for the FYE 31 December 2017 was not subject to any qualification.

A3. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items during this quarter.

A4. SEASONAL OR CYCLICAL FACTORS

The business of the Group was not affected by any significant seasonal or cyclical factors.

A5. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect in the current quarter results.

A6. SHARE CAPITAL AND SHARE PREMIUM

Included in share capital is share premium amounting to RM14,538,275 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

A7. DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares for the quarter ended 31 December 2018 save for the following:

Details of treasury shares held

	Number of Treasury Shares
Balance as at 30 September 2018	10,457,200
Repurchased during the quarter ended 31 December 2018	1,810,800
Balance as at 31 December 2018	12,268,000

A8. DIVIDEND PAID

During the financial year-to-date, the Company paid a final single-tier dividend of 0.6 sen per share for the financial year ended 31 December 2017 amounting to RM2.8 million on 25 July 2018.

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A9. OPERATING REVENUE

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR THE QUARTER ENDED

	Malaysia			Others#			Total		
	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %
Major segments:									
EDCCS*	22,018	20,180	9.1	2,239	3,342	(33.0)	24,257	23,522	3.1
Properties	3,077	6,947	(55.7)	-	-	-	3,077	6,947	(55.7)
Total revenue	**25,095**	**27,127**	**(7.5)**	**2,239**	**3,342**	**(33.0)**	**27,334**	**30,469**	**(10.3)**

OPERATING REVENUE BY GEOGRAPHICAL AREA FOR YEAR ENDED

	Malaysia			Others#			Total		
	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %
Major segments:									
EDCCS*	62,358	62,046	0.5	9,972	11,832	(15.7)	72,330	73,878	(2.1)
Properties	9,765	30,173	(67.6)	-	-	-	9,765	30,173	(67.6)
Total revenue	**72,123**	**92,219**	**(21.8)**	**9,972**	**11,832**	**(15.7)**	**82,095**	**104,051**	**(21.1)**

** Enterprise Data Collection and Collation System ("EDCCS")*
 # Based on an exchange rate of HKD100 : RM52.82, being the closing rate quoted by the Bank Negara Malaysia ("BNM") as at 31 December 2018.

A10. OTHER INCOME

	Quarter Ended			Year Ended		
	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %
Interest income	223	145	53.8	766	288	166.0
Gain on foreign exchange	28	(32)	187.5	117	79	48.1
Gain on disposal of property plant & equipment ("PPE")	8	6	33.3	11	6	83.3
Fair value gain on amount due to a director	1,006	-	100.0	1,006	-	100.00
Net gain on disposal of an associate	-	7,193	(100.0)	-	12,348	(100.0)
Reversal of impairment loss on trade receivables	301	-	100.0	355	-	100.0
Rental income	35	35	-	139	136	2.2
Miscellaneous income	105	14	650.0	131	125	4.8
Total other income	**1,706**	**7,361**	**(76.8)**	**2,525**	**12,982**	**(80.5)**

A11. OTHER SEGMENTAL INFORMATION

OPERATING SEGMENT BY PRODUCT FOR THE QUARTER ENDED

	EDCCS			Properties			Total		
	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %
Revenue (note A9)	24,257	23,522	3.1	3,077	6,947	(55.7)	27,334	30,469	(10.3)
Other income (note A10)	1,587	7,368	(78.5)	119	(7)	1800.0	1,706	7,361	(76.8)
Direct costs	(22,436)	(23,042)	(2.6)	(3,091)	(5,855)	(47.2)	(25,527)	(28,897)	(11.7)
Segmental profit before	**3,408**	**7,848**	**(56.6)**	**105**	**1,085**	**(90.3)**	**3,513**	**8,933**	**(60.7)**
Finance cost	(19)	(179)	(89.4)	(89)	(469)	(81.0)	(108)	(648)	(83.3)
Depreciation and amortisation	(128)	(427)	(70.0)	-	-	-	(128)	(427)	(70.0)
Inventories written off/down	(474)	(301)	57.5	-	-	-	(474)	(301)	57.5
Impairment on other & trade receivables	-	(859)	(100.0)	-	-	-	-	(859)	(100.0)
Disposal on PPE	(5)	(175)	(97.1)	-	-	-	(5)	(175)	(97.1)
Share of results of associates	110	52	111.5	-	-	-	110	52	111.5
Loss on disposal of subsidiary	-	(1,184)	(100.0)	-	-	-	-	(1,184)	(100.0)
Income tax expenses	(1,110)	594	(286.9)	(4)	(150)	(97.3)	(1,114)	444	(350.9)
Segmental net profit	**1,782**	**5,369**	**(66.8)**	**12**	**466**	**(97.4)**	**1,794**	**5,835**	**(69.3)**

OPERATING SEGMENT BY PRODUCT FOR YEAR ENDED

	EDCCS			Properties			Total		
	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %
Revenue (note A9)	72,330	73,878	(2.1)	9,765	30,173	(67.6)	82,095	104,051	(21.1)
Other income (note A10)	2,345	12,913	(81.8)	180	69	160.9	2,525	12,982	(80.5)
Direct cost	(67,063)	(70,776)	(5.2)	(9,810)	(26,166)	(62.5)	(76,873)	(96,942)	(20.7)
Segmental profit before	**7,612**	**16,015**	**(52.5)**	**135**	**4,076**	**(96.7)**	**7,747**	**20,091**	**(61.4)**
Finance cost	(217)	(810)	(73.2)	(126)	(469)	(73.1)	(343)	(1,279)	(73.2)
Depreciation and amortisation	(468)	(1,674)	(72.0)	-	-	-	(468)	(1,674)	(72.0)
Inventories written off/down	(474)	(696)	(31.9)	-	-	-	(474)	(696)	(31.9)
Impairment on other & trade receivables	-	(862)	(100.0)	-	-	-	-	(862)	(100.0)
Disposal on PPE	(2)	(172)	(98.8)	-	-	-	(2)	(172)	(98.8)
Share of results of associates	504	814	(38.1)	-	-	-	504	814	(38.1)
Loss on disposal of a subsidiary	-	(1,184)	(100.0)	-	-	-	-	(1,184)	(100.0)
Income tax expenses	(1,516)	305	(597.0)	(82)	(822)	(90.0)	(1,598)	(517)	209.1
Segmental net profit /(loss)	**5,439**	**11,736**	**(53.7)**	**(73)**	**2,785**	**(102.6)**	**5,366**	**14,521**	**(63.0)**

A11. OTHER SEGMENTAL INFORMATION (CONT'D)

Other than the items mentioned above which have been included in the statement of profit or loss and other comprehensive income, there were no other income including investment income, provision for and write off of receivables and inventories, gain or loss on disposal of unquoted investments or properties, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and year ended 31 December 2018.

A12. CARRYING AMOUNT OF REVALUED ASSETS

The valuations of property, plant and equipment (ìPPEî) have been brought forward without amendment from the financial statement for the year ended 31 December 2017. All PPE, except for land and building, are stated at cost less accumulated depreciation and less any impairment losses. Land and building are shown at fair values, based on valuations by external independent valuers, less subsequent accumulated depreciation on buildings and any accumulated impairment losses.

A13. SUBSEQUENT EVENTS

There were no significant subsequent events from 31 December 2018 to the date of this report, which will have a material effect on the financial results of the Group for the quarter under review.

A14. CHANGES IN COMPOSITION OF THE GROUP

The Company had on 10 April 2018 entered into a conditional share acquisition agreement with Chuah Chew Hai ("the Vendor"), a director of the Company, for the acquisition of the remaining 49.9996% equity interest in Innoceria Sdn. Bhd. (ìISBî) consisting of 124,999 ordinary shares held by the Vendor, for a total cash consideration of RM21,900,000 ("Proposed Acquisition"). The first payment of RM3.0 million had been made to the Vendor with the balance of purchase price of RM18.9 million to be paid in multiple tranches. The Company further announced that the Proposed Acquisition has been duly completed on 6 July 2018 and ISB is now a wholly-owned subsidiary of Grand-Flo.

There were no other material changes in the composition of the Group during the quarter under review.

A15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets of the Group during the quarter under review.

A16. CAPITAL COMMITMENTS

There were no material commitments as at the end of the current quarter under review.

A17. RELATED PARTY TRANSACTIONS

There were no related party transactions which would have a material impact on the financial position and the business of the Group during the current quarter under review except for the following:

	Quarter ended 31/12/2018 RM'000	Year ended 31/12/2018 RM'000
Management fees to a related party	49	271
Sales to a related party	33	200
Purchases from a related party	189	531

The above related party transactions are recurrent transactions of a revenue or trading nature and are at arm's length entered in the ordinary course of business on terms not more favourable to the related party than those generally available to the public.

A18. STATUS OF UTILISATION OF PROCEEDS

Grand-Flo had on 19 October 2017, 3 November 2017 and 7 November 2017 disposed of entire shareholding comprising 48,899,373 Simat Shares, representing approximately 12.31% equity interest in Simat, at a disposal price of THB2.70 per shares for a total cash consideration of RM15,002,313 (THB132,028,307). The status of utilisation of the sale proceeds is as follows:

Utilisation up to 31.12.2018	Proceeds Received RM'000	Proceeds Utilised RM'000	Balance RM'000
Working Capital	15,002	7,776	7,226
Total	15,002	7,776	7,226

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MAIN MARKET

B1. REVIEW OF OVERALL PERFORMANCE

	Quarter Ended			Year Ended		
	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %
Revenue	27,334	30,469	(10.3)	82,095	104,051	(21.1)
Cost of sales	(20,097)	(24,349)	(17.5)	(58,354)	(80,026)	(27.1)
Gross profit	7,237	6,120	18.3	23,741	24,025	(1.2)
Profit before taxation ("PBT")	2,908	5,391	(46.1)	6,964	15,038	(53.7)
Profit after taxation ("PAT")	1,794	5,835	(69.3)	5,366	14,521	(63.0)

For the quarter

Revenue for the fourth quarter of 2018 dropped 10.3% from RM30.5 million in the preceding year's corresponding quarter to RM27.3 million for the current quarter under review mainly due to the continuing soft market condition faced by the Property Development division. EDCCS, on the other hand, achieved a 3.1% higher sales as compared with the preceding year's quarter.

As a result of the Group's lower sales for the quarter under review, PBT for the current quarter was lower by 46.1% from RM5.4 million (included a gain on disposal of associates of RM7.2 million and a charge of impairment of subsidiaries of RM1.2 million) to RM2.9 million.

With the exclusion of the gain on disposal of associate's shares and impairment of subsidiaries, the LBT would have been RM0.6 million for the previous year's corresponding period as compared to PBT of RM2.9 million for the current quarter.

For the 12 months period

Revenue for the current year ended 31 December 2018 dropped 21.1% from RM104.1 million in the preceding year to RM82.1 million mainly due to lower sales in the Property Development division.

The Group PBT of RM7.0 million was down by 53.7% from profit of RM15.0 million (included a gain on disposal of associates of RM12.3 million, a charge of impairment of subsidiaries of RM1.2 million) for same period last year. Had the gain and impairment been excluded, the PBT would have been RM3.9 million in the preceding year ended 31 December 2017.

B1. REVIEW OF OVERALL PERFORMANCE (CONT'D)

i) EDCCS

	Quarter Ended			Year Ended		
	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %
Revenue	24,257	23,522	3.1	72,330	73,878	(2.1)
Cost of sales	(17,487)	(18,762)	(6.8)	(50,862)	(56,093)	(9.3)
Gross profit	6,770	4,760	42.2	21,468	17,785	20.7
Profit before taxation ("PBT")	2,892	4,775	(39.4)	6,955	11,431	(39.2)
Profit after taxation ("PAT")	1,782	5,369	(66.8)	5,439	11,736	(53.7)

<u>For the quarter</u>

The EDCCS division recorded revenue of RM24.3 million in the current quarter as compared to revenue of RM23.5 million, increased by 3.1%. The division posted a PBT of RM2.9 million as compared to the PBT of RM4.8 million in preceding year's corresponding quarter which included a gain on disposal of associates of RM7.2 million and a charge of impairment of subsidiaries of RM1.2 million.

With the exclusion of the gain and impairment, it would have been LBT of RM1.2 million for the preceding year's corresponding quarter as compared to PBT of RM2.9 million in the current quarter.

<u>For the 12 months period</u>

The EDCCS division recorded revenue of RM72.3 million and PBT of RM7.0 million for the current year ended 31 December 2018 compared to revenue of RM73.9 million and PBT of RM11.4 million in the corresponding year ended 31 December 2017, representing a decrease in revenue of 2.1% and PBT of 39.2% respectively. Included in the PBT of RM11.4 million in the previous year were a gain on disposal of shares in an associate of RM12.3 million and a charge of impairment of subsidiaries of RM1.2 million.

With the exclusion of the gain and impairment, the PBT would have been RM0.3 million for the preceding year as compared to PBT of RM7.0 million for the current year under review.

B1. REVIEW OF OVERALL PERFORMANCE (CONT'D)

ii) Property Development

	Quarter Ended			Year Ended		
	31/12/2018 RM'000	31/12/2017 RM'000	Changes %	31/12/2018 RM'000	31/12/2017 RM'000	Changes %
Revenue	3,077	6,947	(55.7)	9,765	30,173	(67.6)
Cost of sales	(2,610)	(5,587)	(53.3)	(7,492)	(23,933)	(68.7)
Gross profit	467	1,360	(65.7)	2,273	6,240	(63.6)
Profit before taxation ("PBT")	16	616	(97.4)	9	3,607	(99.8)
Profit/(Loss) after taxation ("PAT"/"LAT")	12	466	(97.4)	(73)	2,785	(102.6)

For the quarter & 12 months period

Property Development divisionҳs revenue for the quarter and year under review was mainly derived from units of The Glades and Vortex Business Park sold. The soft market condition for the property sector which had impacted the top-line hence caused its PBT to drop by 97.4% for the quarter under review.

B2. MATERIAL CHANGES IN QUARTERLY RESULTS

	Quarter Ended		
Group	31/12/2018 RM'000	30/9/2018 RM'000	Changes %
Revenue	27,334	21,941	24.6
Cost of sales	(20,097)	(15,583)	29.0
Gross profit	7,237	6,358	13.8
Profit before taxation ("PBT")	2,908	2,335	24.5
Profit after taxation ("PAT")	1,794	2,011	(10.8)

The Group recorded revenue of RM27.3 million and PBT of RM2.9 million for the current quarter compared to revenue of RM21.9 million and PBT of RM2.3 million in the preceding quarter, representing an increase in revenue of 24.6% and PBT of 24.5%. Revenue was higher in the current quarter mainly due to higher contribution from the EDCCS and Property Development division, while PBT was higher due to a fair value gain from revaluing an amount owing to director arose from a conditional share acquisition agreement entered with a director (refer note A14 for the acquisition).

B2. MATERIAL CHANGES IN QUARTERLY RESULTS (CONT'D)

EDCCS	Quarter Ended		
	31/12/2018 RM'000	30/9/2018 RM'000	Changes %
Revenue	24,257	21,091	15.0
Cost of sales	(17,487)	(14,916)	17.2
Gross profit	6,770	6,175	9.6
Profit before taxation ("PBT")	2,892	2,785	3.8
Profit after taxation ("PAT")	1,782	2,381	(25.2)

The EDCCS division posted a PBT of RM2.9 million as compared to the PBT of RM2.8 million in preceding quarter. The PBT for the current quarter would have been lower than the previous quarter due to accounting for certain year end expenses had it not included the fair value gain in the current quarter mentioned above.

Property Development	Quarter Ended		
	31/12/2018 RM'000	30/9/2018 RM'000	Changes %
Revenue	3,077	850	262.0
Cost of sales	(2,610)	(667)	291.3
Gross profit	467	183	155.2
Profit/(Loss) before taxation ("PBT"/"LBT")	16	(450)	103.6
Profit/(Loss) after taxation ("PAT"/"LAT")	12	(370)	103.2

The Property Development division posted minimal PBT as compared with LBT of RM0.5 million in the preceding quarter. The PBT was attributable to higher sales in the quarter under review.

B3. COMMENTARY ON PROSPECTS

Based on the current business outlook and barring any unforeseen circumstances, the Board foresees the EDCCS division to remain stable and expects the property development division to achieve a better result in the financial year 2019.

B4. TAXATION

	Quarter ended 31/12/2018 RM'000	Year ended 31/12/2018 RM'000
Estimated income tax :		
Malaysia income tax	1,114	1,597
Foreign income tax	-	1
	1,114	1,598

The taxation is computed after taking into consideration certain income recognised and expenses incurred during the financial period are not allowed for tax purposes particularly for the current quarter, as well as utilisation of unabsorbed tax losses of a subsidiary company. Hence, the effective tax rate is higher than the statutory tax rate for the quarter under review but is lower than the statutory tax rate for the current financial year-to-date.

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the quarter and the year.

B5. STATUS OF CORPORATE PROPOSALS AS AT 25 FEBRUARY 2019

There were no corporate proposals announced but not completed as at 25 February 2019, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report.

B6. BORROWINGS

The borrowings of the Company as at 31 December 2018 were as follows:

	As at 31/12/2018 RM'000	As at 31/12/2017 RM'000
Secured Short-term (due within 12 months):		
Bankers' acceptance / factoring	-	3,570
Term loan	126	809
Hire purchase & lease payables	26	108
	152	4,487
Secured Long-term (due after 12 months):		
Term loan	650	1,792
Hire purchase & lease payables	-	32
	650	1,824
Total Borrowings	802	6,311

B6. BORROWINGS (CONT'D)

There was no unsecured borrowing for the current quarter. All borrowings were denominated in Ringgit Malaysia.

The effective annual interest rates at the reporting date for borrowings are as follows:

	2018 %	2017 %
Bankers' Acceptance	3.83 ï 5.49	3.83 ï 5.49
Overdraft	7.00 ï 7.25	7.00 ï 7.25
Term loan	3.75 ï 8.10	3.75 ï 8.10
Hire purchase & lease payables	2.40 ï 3.61	2.40 ï 3.61

B7. MATERIAL LITIGATION

Save as disclosed below, the Directors are not aware of any material litigations or claims against the Group and Company as 25 February 2019, being the latest practicable date, not earlier than seven (7) days from the date of issuance of this report:

Labels Network Sdn Bhd (ñLNSBò), a wholly-owned subsidiary of Grand-Flo, had entered into a share sale agreement dated 29 August 2016 with QLM Label Makers Sdn Bhd (ñQLMò) in respect of the disposal of 100% shares in Kopacklabels Press Sdn Bhd (ñKopackò) by LNSB to QLM (ñKopack SSAò).

LNSB has commenced legal action against QLM and Kopack by filing a writ and statement of claim on 7 May 2018 and an amended statement of claim on 24 May 2018 for several breaches by QLM of the express and/or implied terms of the Kopack SSA including the failure to procure and/or cause Kopack to procure the release of securities and/or corporate guarantees given to Hap Seng Credit Sdn Bhd and Hong Leong Bank Berhad given by LNSB.

The claims made by LNSB include the sum of RM650,078.45 owing to LNSB and specific performance of clause 6, clause 8.2(a) and clause 8.2(b) of the Kopack SSA against QLM.

On 15 October 2018, LNSB, QLM and Kopack had entered the Consent Judgment to settle a sum of RM300,000.00 and shall, within 30 to 60 days from the date of this order, carry out its obligations in clause 6, clause 8.2(a) and clause 8.2(b) of the Kopack SSA. A bankerõs cheque of RM300,000.00 was handed to LNSB on 15 October 2018, marking the completion of the case.

B8. DIVIDEND

The Board does not recommend any interim dividend for the quarter ended 31 December 2018 of the financial year ended 31 December 2018 (4th quarter 2017: Nil).

B9. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated based on Group's net profit attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue during the period as follows:-

	Quarter ended 31/12/2018	Year ended 31/12/2018
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,106	5,472
Weighted average number of ordinary shares in issue ('000)	474,901	473,130
Basic earnings per share (sen)	0.44	1.16

(b) Diluted earnings per share

Diluted earnings per share is not applicable as there were no potential ordinary shares in issue for the current quarter and cumulative quarter.

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